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ABSTRACT

Alaska's public schools cost $1.2 billion in the 1992-93 school year. That included both operating and capital spending and amounted to about $10,000 for each of the state's 119,000 elementary and secondary students. Roughly one-quarter of the state government's general fund budget went to the schools, covering 64 percent of costs. About 30 percent of all taxes raised by cities and boroughs covered 18 percent of school costs; residents of rural school districts known as Regional Education Attendance Areas (REAAs) paid no local taxes. School districts covered 4 percent of costs from fees and other local sources. The federal government paid 14 percent of school costs. The School Foundation Program (a program intended to equalize money available to all school districts) paid for half of all the costs of Alaska's schools; of the $614 million distributed by the foundation, $572 million was state money, $42 million was federal. Per student costs varied from $1,600 for correspondence students to approximately $15,000 in REAAs and at Mt. Edgecumbe, a boarding high school for rural students. Operating expenses made up about 82 percent of school costs, and capital expenses 18 percent. The biggest expense was classroom instruction. Two-thirds of the $214 million in school capital spending was for debt service on existing bonds, and one-third was for new bonds and construction projects. Growth in spending matched growth in the number of students in the early 1990s, but real spending adjusted for inflation dropped about 7 percent between 1990 and 1993. Includes six charts. (JAT)

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WHO PAYS FOR ALASKA'S SCHOOLS?

RESEARCH SUMMARY NO. 56
R.S. No. 56
March 1995

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Institute of Social and Economic Research University of Alaska Anchorage

RESEARCH SUMMARY

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WHO PAYS FOR ALASKA'S SCHOOLS?

Alaska's public schools cost $1.2 billion in the 1992-93 school year. That included both operating and capital spending and amounted to about $10,000 for each of the state's 119,000 elementary and secondary students.

This *Research Summary* looks at where Alaska's public schools got their money and how they spent it in 1992-93. We don't yet have complete figures for the 1993-94 year. The information is based on work by Matthew Berman, an associate professor of economics at ISER, and Teresa Hull, an ISER research associate.

- About one quarter of the state government's general fund budget went to schools in 1992-93. The $775 million in state money covered 64 percent of school costs (Figure 1).
- About 30 percent of all taxes raised by cities and boroughs went to schools in 1992-93. The $217 million in local taxes covered 18 percent of school costs. Residents of the rural school districts known as Regional Education Attendance Areas (REAAs) pay no local taxes.
- School districts—including REAAs—raised an additional $54 million from fees and other local sources, to cover about 4 percent of school costs. Taxes and other local sources together covered 22 percent of school costs.
- The federal government paid $173 million (14 percent) of school costs.
- The School Foundation Program alone paid for half of all the costs of Alaska schools in 1992-93 (Figure 1). Of the $614 million distributed through the foundation program, $572 million was state money and $42 million was federal.

The program is intended to equalize money available to all districts, richer or poorer. But the size and the equity (to both students and taxpayers) of the foundation program are coming under scrutiny in the Alaska Legislature, which is looking for ways to close a large projected budget deficit.*

- Per student costs in 1992-93 varied from $1,600 for correspondence students to around $15,000 for students in REAAs and at Mt. Edgecumbe, a boarding high school in Sitka. In city and borough districts, where 85 percent of students are enrolled, costs averaged about $9,600 per student (Figure 2).

In 1991, Matthew Berman and Eric Larson of ISER assessed the equity of the foundation program in Education Equity and Taxpayer Equity: A Review of the Alaska Public School Foundation Funding Program. *A summary is available at no charge and the full report for $15.00.*

Figure 1. School Revenues by Source

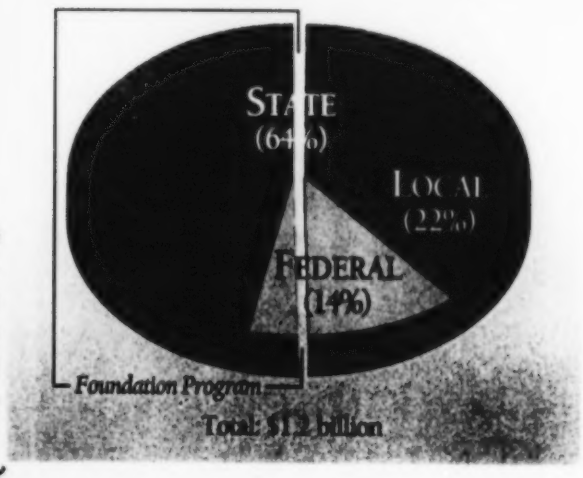
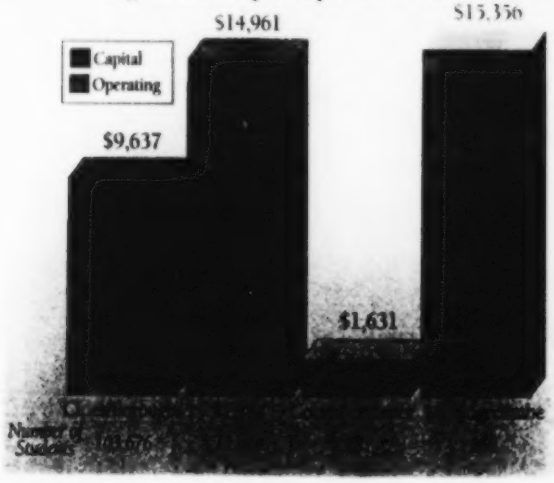


Figure 2. Cost per Pupil, 1992-1993



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Sources of Money

State Revenues

• Schools received close to $572 million in state money through the School Foundation Program in 1992-93 (Figure 3). That was almost three quarters of all the state money schools got. Under the program, the legislature decides how much it will pay for each classroom. Then, state officials use a complex formula to determine how much each district receives, based on how many regular and special classrooms it has and how much local and federal money it receives.

• The second largest state source of state money for schools in 1992-93 was $127 million for debt service. Since 1970, the state government has reimbursed cities and boroughs for a big share of debt service they pay on school construction bonds. The share has varied over the years. Right now the state pays 70 percent of debt service on new school bonds. The state government also paid more than $22 million in cash for new school construction.

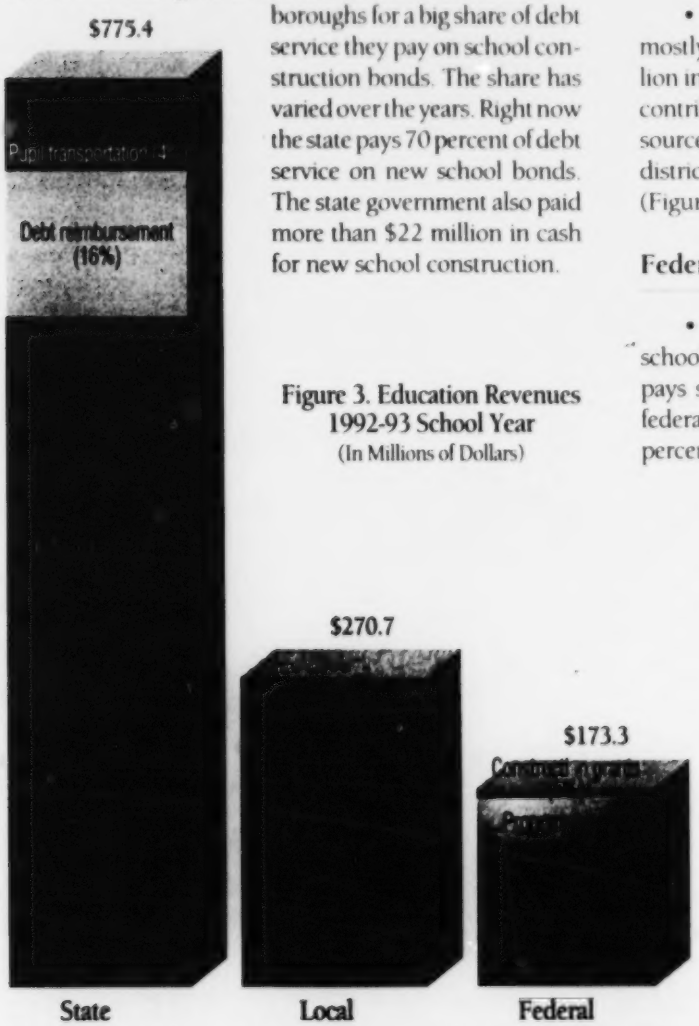

Figure 3. Education Revenues 1992-93 School Year
(In Millions of Dollars)

[a] *Includes state tuition $2.4; cigarette tax $2.7; direct construction $22.2; school district grants $15.8; state schools $7.1*

[b] *Includes interest on investment—$4.6, user fees—$32.9, in kind services—$9.2, and miscellaneous—$7.1*

[c] *Includes program grants passed through the state—$48.8, and direct local program grants—$11.6*

• Other state money schools received in 1992-93 included nearly $29 million for transporting students to and from school and to athletic and other events, and close to $16 million in grants to help pay for community schools, a boarding home program, and other expenses.

• The state also contributed more than $7 million for schooling outside school districts. The state operates Mt. Edgecumbe High School in Sitka, a boarding school for about 270 rural students; until 1985 it was operated by the Bureau of Indian Affairs. Students who don't want to attend village high schools have the option of attending Mt. Edgecumbe. The state also offers correspondence courses to about 2,200 students living in remote places.

Local Revenues

• Local contributions to schools in 1992-93 were mostly taxes. Cities and boroughs contributed $217 million in tax money to schools that year. The rest of the local contributions ($54 million) came from miscellaneous sources, the largest of which were fees city and borough districts and REAAs collected for use of school facilities (Figure 3).

Federal Revenues

• The biggest source of federal money for Alaska schools—$104 million in 1992-93—is a federal law that pays state and local jurisdictions because they can't tax federal land. The federal government owns about 60 percent of the land in Alaska.

Most money under that law, known as Public Law 81-874, goes directly to school districts, but the state also receives some—which it adds to the foundation program. The PL 81-874 payments to Alaska were especially large in fiscal year 1993, because of a change in federal accounting methods. That change meant the state received two years of PL 81-874 funding in a single fiscal year—which amounted to $42 million—or $21 million extra in federal money. Because of the double federal payment in fiscal 1993, the legislature reduced the state appropriation for the school foundation program by about $21 million.

• Program grants of $69 million made up most of the rest of the federal money for schools in 1992-93. These included both direct grants to school districts and grants the state passed on to districts.

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Types of Spending

• Operating expenses made up about 82 percent of school costs in 1992-93 and capital expenses 18 percent. State school expenses (Figure 4) are for Mt. Edgecumbe boarding high school and correspondence courses.

• Nearly $982 million went into operating Alaska schools in 1992-93. The biggest expense is classroom instruction. Most operating expenses are salaries—for teachers, administrators, teachers' aides, librarians, bus drivers, custodians, and others. Some expenses are for heating school buildings, repairing computers, and doing other types of maintenance.

Most operating expenses are paid by the state's foundation program. Table 1 shows estimates of how much the foundation formula calculated for general instruction and how much extra it provided for vocational, special, and bilingual instruction in 1992-93.

The state doesn't track whether school districts actually spend this money for general or special instruction—so these numbers don't necessarily represent how much the districts spent for each but rather how much they were entitled to, under the formula. Also, the foundation program is not the only source of money for special education; the federal government also provides program grants for special types of instruction.

Table 1. Foundation Money for General and Special Instruction, 1992-93
(In Millions of Dollars)

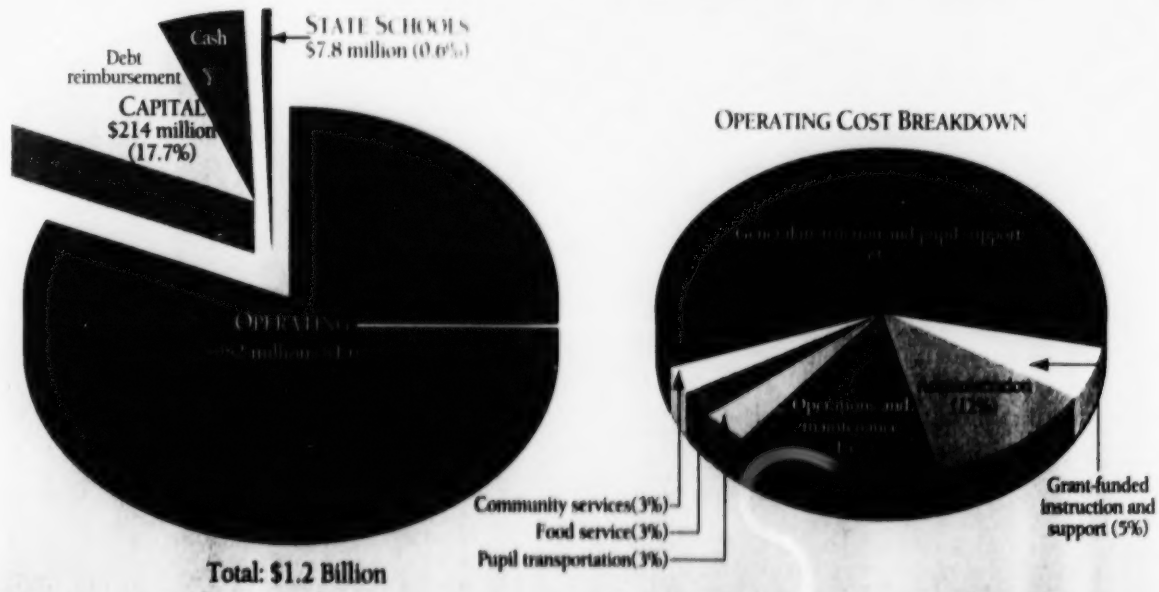
General instruction	$508.4
Vocational instruction	7.4
Bilingual instruction	14.7
Special education*	83.5
Total Foundation	**$613.7**

**Includes instruction for students with a wide range of needs, from those with learning disabilities to those who are gifted.*

• Two-thirds of the $214 million in school capital spending in 1992-93 was for debt service on existing bonds and one-third for new bonds and construction projects. The state paid most capital costs, but school districts also contributed some.

Cities and boroughs typically sell bonds to finance school construction and are liable for paying off those bonds. But the state government reimburses them for a large share (between 70 and 90 percent, depending on when the bonds were sold) of their debt service on bonds. REAAs have no organized local governments and can't sell school bonds to finance construction. The state government generally pays outright for schools in REAAs.

Figure 4. Total School Spending



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Change in Spending, 1990-1993

• Spending for schools increased from $1.03 billion to $1.2 billion between fiscal 1990 and 1993, while the number of elementary and secondary students increased from 104,000 to 119,000. By fiscal 1994, the number of students had increased to 125,000. Figure 5 shows growth in the numbers of Alaska elementary and secondary students from 1981 to 1994.

• Growth in spending just about matched growth in the number of students in the early 1990s—which means per student spending, with no adjustment for inflation, increased just slightly, as the top bars in Figure 6 show. But real spending—spending adjusted for inflation—dropped about 7 percent between 1990 and 1993, as the bottom bars show.

• Several states in the Northeastern U.S. spent just about as much per student as Alaska did in the 1992-93 school year, according to the National Education Association. Alaska's per student spending was about 50 percent above the national average that year. The NEA's figures are not, however, adjusted for differences in living costs among the states—and some of Alaska's higher spending is due to the state's higher living costs. The association's figures also omit some school costs (and are therefore lower than ISER's figures) but they at least provide a general picture of comparative spending among the states.*

*National Education Association, Research Division, Rankings of the States 1994. *For information on getting copies, call 1-800-229-4200.*

Figure 5. Growth in Numbers of Students FY 1981-1994

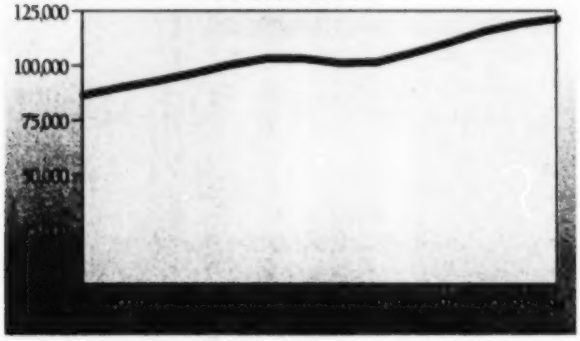
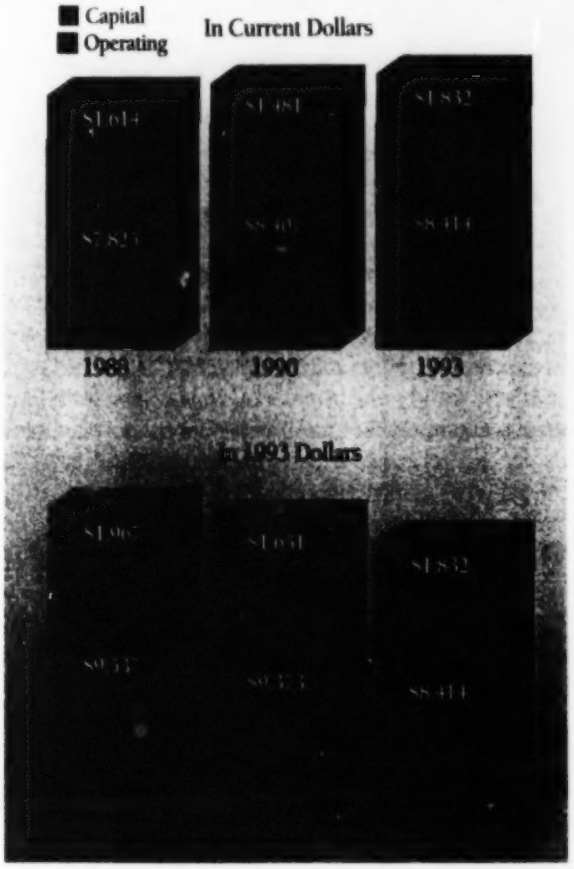


Figure 6. Per Student Spending, FY 1988-1993



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